

RECEIVED
LEGISLATIVE COUNCIL

03 APR -4 PM 1:53

HOSPITAL SERVICE DISTRICT NO. 1Parish of St. Mary
Franklin, Louisiana**FINANCIAL REPORT****YEAR ENDED SEPTEMBER 30, 2002**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audit and other appropriate public officials. The report is available for public inspection at the House Page's Office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 4/9/03

TABLE OF CONTENTS

	PAGE
I. INDEPENDENT AUDITOR'S REPORT	i
II. GENERAL PURPOSE FINANCIAL STATEMENTS	
Balance sheet	3-4
Statements of operations and retained earnings	5
Statements of cash flows	6
Notes to financial statements	7-16
III. REQUIRED BY GOVERNMENT AUDITING STANDARDS	
Report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with <u>Government Auditing Standards</u>	18-19
Summary schedule of findings and questioned costs	29
Schedule of prior audit findings	31
Corrective action plan for current year findings	32

KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

2000 N. RIVERVIEW, SUITE 100
HOUSTON, TEXAS 77057
DANIEL J. KOLDER, CPA
P. CHAMPAGNE, CPA
DAVID B. SLAVEN, CPA

P.O. Box 3438
Morgan City, LA 70351

Phone (504) 384-0000
Fax (504) 384-0000

MEMBERS
MEMBERSHIP LIST

MEMBER OF
NATIONAL INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

SOCIETY OF LEBONIS
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Mr. C. John, CPA
Mrs. J. Kolder, CPA
Parish Hospital Services, Inc.
Covington, Louisiana, 70424
Mr. T. Thompson, CPA
Mrs. B. Kolder, CPA
Morgan City, Louisiana, 70351
David B. Slaven, CPA
Morgan City, Louisiana, 70351

1. A National Accountancy Institute

Board of Commissioners
Hospital Service District No. 1
Parish of St. Mary, State of Louisiana
Franklin, Louisiana

We have audited the accompanying general purpose financial statements of Hospital Service District No. 1, Parish of St. Mary, State of Louisiana, a component unit of the St. Mary Parish Government, as of and for the year ended, September 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements, referred to above, present fairly, in all material respects, the financial position of the Hospital Service District No. 1, Parish of St. Mary, State of Louisiana, a component unit of the St. Mary Parish Government, as of September 30, 2002, and the results of its operations and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 8, 2002 on our consideration of the Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. This report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
November 8, 2002

200 N. RIVERVIEW, SUITE 100
HOUSTON, TEXAS 77057
Phone (504) 384-0000
Fax (504) 384-0000

200 N. RIVERVIEW, SUITE 100
HOUSTON, TEXAS 77057
Phone (504) 384-0000
Fax (504) 384-0000

200 N. RIVERVIEW, SUITE 100
HOUSTON, TEXAS 77057
Phone (504) 384-0000
Fax (504) 384-0000

200 N. RIVERVIEW, SUITE 100
HOUSTON, TEXAS 77057
Phone (504) 384-0000
Fax (504) 384-0000

200 N. RIVERVIEW, SUITE 100
HOUSTON, TEXAS 77057
Phone (504) 384-0000
Fax (504) 384-0000

200 N. RIVERVIEW, SUITE 100
HOUSTON, TEXAS 77057
Phone (504) 384-0000
Fax (504) 384-0000

200 N. RIVERVIEW, SUITE 100
HOUSTON, TEXAS 77057
Phone (504) 384-0000
Fax (504) 384-0000

GENERAL PURPOSE FINANCIAL STATEMENTS

HOSPITAL SERVICE DISTRICT NO. 1

Period of 9c. May

Balance Sheet

September 30, 2001

(With comparative amounts as of September 30, 2000)

ASSETS

	2001	2000
Current assets:		
Cash	\$ 44,180	\$ 148,972
Receivables		
Patient (net of uncollectible provisions)	1,411,941	1,497,027
Agency (net of uncollectible provisions)	931,774	1,158,944
Inventory	471,154	475,050
Prepaid expenses	119,022	181,179
Total current assets	<u>2,967,071</u>	<u>3,361,172</u>
Restricted assets (restricted to capital improvements and debt retirement):		
Cash	2,864	18,308
Certificates of deposit	201,841	364,043
Time receivable	222,661	-
Total restricted assets	<u>427,366</u>	<u>382,351</u>
Property, plant and equipment, net	<u>4,303,989</u>	<u>4,449,814</u>
Other assets:		
Bond issue costs	6,894	11,488
Total assets	<u>\$ 7,705,320</u>	<u>\$ 8,194,365</u>

The accompanying notes are an integral part of this statement.

HOSPITAL SERVICE DISTRICT NO. 1

State of St. Mary

Balance Sheet

September 30, 2002

(With comparative amounts as of September 30, 2001)

LIABILITIES AND RETAINED EARNINGS

	2002	2001
Current liabilities		
Short term certificates payable	\$ 711,541	\$ 719,191
Current maturities of debt	21,000	119,836
Accounts payable	1,381,139	1,627,672
Accrued wages and related withholdings	138,686	182,141
Other current liabilities	236,754	196,486
Payable from restricted assets		
Current maturities of debt	296,000	268,888
Total current liabilities	<u>3,085,120</u>	<u>3,014,224</u>
Long term debt		
Loans payable	176,814	202,703
Certificates of indebtedness payable	-	11,882
General obligation/bonds payable	289,914	782,114
Total long term debt	<u>466,728</u>	<u>996,700</u>
Total liabilities	<u>3,551,848</u>	<u>4,010,924</u>
Retained earnings		
Reserve for debt retirement	37,208	4,346
Unreserved and unassigned	5,229,640	5,219,715
Total retained earnings	<u>5,266,848</u>	<u>5,224,061</u>
Total liabilities and retained earnings	<u>\$ 8,818,696</u>	<u>\$ 9,234,985</u>

The accompanying notes are an integral part of the statement.

HOSPITAL SERVICE DISTRICT NO. 1

Period of 30 May

Statement of Operations and Retained Earnings

Years Ended September 30, 2002

(With comparative amounts for the year ended September 30, 2001)

	2002	2001
Operating revenues:		
Inpatient services	\$ 5,211,044	\$ 46,775,487
Outpatient services	10,568,330	10,806,154
Emergency room services	3,994,094	3,330,156
Selling and services	886,783	1,205,174
Rehabilitation services	1,130,159	1,022,773
Tax revenues	1,113,207	1,193,127
Other revenues	313,134	330,381
	<u>21,116,741</u>	<u>63,663,172</u>
Contractual adjustments and discounts	(14,111,251)	(14,111,822)
Net operating revenues	<u>17,005,490</u>	<u>49,551,350</u>
Operating expenses:		
Salaries	543,040	1,094,183
Depreciation expense	290,645	429,680
Drug and medical supplies	82,376	80,127
Insurance	273,941	179,600
Interest	61,663	-
Laundry and rentals	12,600	30,148
Repairs and maintenance	224,207	294,504
Retirees and related benefits	7,669,375	7,650,148
Subcontract services	3,043,176	2,095,808
Supplies	1,847,000	2,079,117
Taxes, licenses and permits	15,480	11,616
Tuition	60,346	37,491
Utilities	569,268	422,889
	<u>17,569,468</u>	<u>19,157,006</u>
Income (loss) from operations	<u>(563,978)</u>	<u>(165,656)</u>
Nonoperating revenues (expenses):		
Interest expense	-	(112,500)
Tax revenue - restricted	261,344	228,879
Other	(7,893)	34,876
	<u>253,451</u>	<u>151,255</u>
Total nonoperating revenues (expenses)	<u>253,451</u>	<u>151,255</u>
Net income (loss)	<u>(310,527)</u>	<u>(10,401)</u>
Retained earnings, beginning	5,131,904	4,771,428
Price period adjustment	64,560	74,139
Retained earnings, ending	<u>\$ 4,885,937</u>	<u>\$ 4,735,166</u>

The accompanying notes are an integral part of this statement.

HOSPITAL, (SERVICE CONTRACT NO. 1

Polish of St. Mary

Statement of Cash Flows

Year Ended September 30, 2002

(With comparative amounts for the year ended September 30, 2001)

	<u>2002</u>	<u>2001</u>
Cash flows from operating activities:		
Operating income (loss)	<u>\$ (281,721)</u>	<u>\$ (81,179)</u>
Adjustments to reconcile net operating income to net cash provided by operating activities -		
Depreciation	290,683	429,610
Changes in current assets and liabilities:		
(Increase) Decrease in accounts receivable	278,714	(750,000)
Decrease) Decrease in prepaid expenses	62,352	(121,617)
(Increase) Decrease in inventory	39,173	61,186
Increase (Decrease) in accounts payable	(41,200)	242,898
Increase (Decrease) in accrued wages and related withholdings	(51,488)	93,826
Increase (Decrease) in other current liabilities	164,188	2,888
Changes in other assets and liabilities:		
(Increase) Decrease in other assets	4,294	4,294
Total adjustments	<u>688,173</u>	<u>(137,695)</u>
Net cash provided by (used in) operating activities	<u>296,452</u>	<u>(148,975)</u>
Cash flows from noncapital and financing activities:		
Interest received	17,699	14,879
Ad valorem tax receipts	<u>261,144</u>	<u>129,879</u>
Net cash provided by noncapital and financing activities	<u>278,843</u>	<u>144,758</u>
Cash flows from capital and related financing activities:		
Proceeds from debt	168,000	1,270,000
Principal repayment	<u>(1,401,300)</u>	<u>(1,130,000)</u>
Interest paid	-	<u>(112,233)</u>
Net cash provided by (used in) capital and related financing activities	<u>(123,300)</u>	<u>28,767</u>
Cash flows from investing activities:		
Purchases of property, plant and equipment	<u>(208,714)</u>	<u>(423,400)</u>
Net decrease in cash and cash equivalents	<u>(287,548)</u>	<u>(147,759)</u>
Cash, cash equivalents and restricted cash, beginning of period	<u>168,391</u>	<u>71,151</u>
Cash, cash equivalents and restricted cash, end of period	<u>\$ (119,157)</u>	<u>\$ (119,338)</u>

The accompanying notes are an integral part of this statement.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of St. Mary
Franklin, Louisiana

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

Hospital Service District No. 1, Parish of St. Mary (hereafter "Hospital") was created by ordinance No. 339 of the Police Jury of St. Mary Parish (predecessor of the St. Mary Parish Government) on September 30, 1958, to operate, control, and manage matters concerning the health care of citizens west and northwest of the Wax Lake Outlet.

The District is governed by a board of seven commissioners appointed by the St. Mary Parish Council.

The financial statements of the Hospital have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the Hospital's accounting policies are described below.

A. Reporting Entity

As the governing authority of the parish, for reporting purposes, the St. Mary Parish Government is the financial reporting entity for St. Mary Parish. The financial reporting entity consists of (a) the primary government (parish council), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the St. Mary Parish Government for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

Appointing a voting majority of an organization's governing body, and

The ability of the parish council to impose its will on that organization and/or

The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the parish council.

Organizations for which the parish council does not appoint a voting majority but are fiscally dependent on the Government.

Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of St. Mary
Franklin, Louisiana

Notes to Financial Statements (Continued)

Because the parish council appoints the Hospital's governing body, Hospital Service District No. 1 was determined to be a component unit of the St. Mary Parish Government, the financial reporting entity. The accompanying component unit financial statements present information only on the funds maintained by the Hospital and do not present information on the parish council, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

B. Fund Accounting

The Hospital is organized and operated on a fund basis whereby a self-balancing set of accounts (Enterprise Fund) is maintained that comprises its assets, liabilities, fund equity, revenues, and expenses. The operations are financed and operated in a manner similar to a private business enterprise, where (a) the intent of the governing body is that the unit (purpose, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

C. Basis of Accounting

The accounting and financial reporting treatment applied in a fund is determined by its measurement focus. The Enterprise Fund is accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance.

With this measurement focus, all assets and all liabilities associated with the operation of this fund is included on the balance sheet. The Enterprise Fund uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized as the time liabilities are incurred.

D. Cash and Cash Equivalents

Cash includes amounts in demand deposits and interest bearing demand deposits. Cash equivalents include amounts in time deposits having a maturity of three months or less when purchased.

E. Inventory

Inventory is stated at the lower of cost or market, with cost determined by the first-in first-out (FIFO) method.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of St. Mary
Franklin, Louisiana

Notes to Financial Statements (Continued)

F. Prepaid Expenses

The Hospital records prepayments, such as insurance, as an asset on the balance sheet and systematically recognizes an expense ratably over the term of the prepayment.

G. Restricted Assets

Certain proceeds of enterprise bond funds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

H. Fixed Assets

Fixed assets are recorded at cost or, if contributed property, at their estimated fair value at time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The sale or disposal of fixed assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

Depreciation of all exhaustible fixed assets used by enterprise funds is charged as an expense against operations; and accumulated depreciation is reported on the balance sheet. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Land Improvements	18 years
Building and Improvements	15-50 years
Equipment	4-15 years

The recognition of depreciation begins upon placement of the asset into useful operation.

I. Capitalized Interest

The Hospital capitalizes net interest costs and interest earned as part of the cost of construction when material.

J. Bad Debt

Uncollectible amounts due for billed services are recognized as bad debts through the establishment of an allowance account at the time information becomes available indicating the uncollectibility of the receivable.

K. Compensated Absences

Full-time employees of the Hospital earn up to a maximum of 25 days of paid time off, depending on length of service. A maximum of 24 days for regular employees and 18 days for department managers may be carried forward to the succeeding fiscal year.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of St. Mary
Franklin, Louisiana

Notes to Financial Statements (Continued)

L. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

M. Accounting Standards

Pursuant to Government Accounting Standards Board (GASB) Statement No. 26, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, the Hospital has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

N. Comparative Data

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Hospital's financial position and results of operations.

(2) Net Patient Service Revenues

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payers follows:

A. Medicare

Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient nonacute services, certain outpatient services, and defined capital and medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audit thereof by the Medicare fiscal intermediary.

B. Medicaid

Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audit thereof by the Medicaid fiscal intermediary.

HOSPITAL SERVICE DISTRICT NO. 1

Parish of St. Mary
Franklin, Louisiana

Notes to Financial Statements (Continued)

(7) Cash and Certificates of Deposit

Under state law, the Hospital may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Hospital may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At September 30, 2002, the Hospital had cash and interest-bearing deposits (bank balances) totaling \$258,817.

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or collateral bank that is mutually acceptable to both parties. The following is a summary of deposit balances (bank balances) at September 30, 2002, and the related federal insurance and pledged securities:

Bank balances	<u>\$ 407,780</u>
Federal deposit insurance	\$ 214,182
Pledged securities (Category 3)	<u>133,588</u>
Total federal insurance and pledged securities	<u>\$ 657,780</u>

Pledged securities in Category 3 includes uninsured or unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the Hospital's name. Even though the pledged securities are considered noncollateralized (Category 3), Louisiana Revised Statute 39:1229 imposes a statutory requirement on the collateral bank to advertise and sell the pledged securities within ten (10) days of being notified by the Hospital that the fiscal agent has failed to pay deposited funds upon demand.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of St. Mary
Franklin, Louisiana

Notes to Financial Statements (Continued)

(4) Property and Equipment

A summary of property and equipment at September 30, 2002, follows:

	9/30/2001	Additions	Deletions	9/30/2002
Land	\$ 1,958	\$ -	\$ -	\$ 1,958
Land improvements	63,134	-	-	63,134
Buildings and improvements	6,298,178	-	-	6,298,178
Construction in progress	-	-	-	-
Fixed equipment	1,348,918	-	-	1,348,918
Movable equipment	<u>1,217,282</u>	<u>258,758</u>	<u>-</u>	<u>1,476,040</u>
	\$11,232,780	\$ 258,758	\$ -	\$11,491,538
Less accumulated depreciation	<u>(3,802,944)</u>	<u>(798,685)</u>	<u>-</u>	<u>(4,601,629)</u>
Property and equipment, net	<u>\$ 4,429,836</u>	<u>\$113,929</u>	<u>\$ -</u>	<u>\$ 4,543,765</u>

Depreciation expense for the year ended September 30, 2002 was \$798,685.

(5) Bond Issue Costs

As described in Note 1, the Hospital issued general obligation refunding bonds, series 1991 and general obligation bonds, series 1999. Expenses, primarily legal fees, were incurred in connection with the issuance of the bonds. Accounting Principle Board Statement 20 requires such costs to be reported as deferred charges on the balance sheet and amortized from the date of sale until the maturity of the obligation.

At September 30, 2002, the Hospital has unamortized bond issue costs as follows:

Bond Issue Costs:	
General Obligation Refunding Bonds, Series 1997	\$19,668
General Obligation Bonds, Series 1999	<u>15,185</u>
	34,853
Amortization Recognized	<u>(21,769)</u>
	<u>\$ 13,084</u>

For the year ended September 30, 2002, amortization recognized totaled \$14,584.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of St. Mary
Franklin, Louisiana

Notes to Financial Statements (Continued)

(6) Short-term Certificates Payable

The Hospital obtained authorization from the State Bond Commission to issue short term certificates, not to exceed \$1,808,080. Each debt is incurred to pay operating expenses in anticipation of revenues for the current year. The certificates are due and payable on or before March 1, 2003 and bear interest at a rate not exceeding 6 percent per annum. At September 30, 2002, \$175,941 was due and payable on the certificates.

(7) Long-term Debt

The following is a summary of long-term debt transactions of the Hospital for the years ended September 30, 2002:

	9/30/2001	Additions	Reductions	9/30/2002
Loans payable	\$ 323,743	\$ -	\$ 33,737	\$ 178,016
Certificates of indebtedness	170,818	-	119,036	31,002
General obligation bonds	1,141,398	-	213,280	789,918
Total general long-term debt	<u>\$ 1,346,859</u>	<u>\$ -</u>	<u>\$ 318,053</u>	<u>\$ 1,018,997</u>

Current maturities of long-term debt are as follows:

Certificates of indebtedness	\$ 31,002
General obligation bonds	<u>360,080</u>
Total current maturities long-term debt	<u>\$ 441,082</u>

HOSPITAL SERVICE DISTRICT NO. 1
Parish of St. Mary
Franklin, Louisiana

Notes to Financial Statements (Continued)

Long-term obligations (loans, certificates and bonds payable) are comprised of the following:

Certificates of Indebtedness:

\$400,000 Certificate of Indebtedness, Series 1988, due in monthly installments of \$1,096 through June, 2003; interest payable at 3.50 percent per annum	\$ <u>32,004</u>
---	------------------

General Obligation Bonds:

\$1,750,000 General Obligation Refunding Bonds, Series 1997, due in annual installments of \$15,000 - \$218,000 through March, 2004; interest ranging from 4.7 percent to 4.8 percent; payable from specific ad valorem tax levy	\$ <u>400,000</u>
--	-------------------

\$900,000 General Obligation Refunding Bonds, Series 1999, due in annual installments of \$160,000 - \$200,000 through March, 2004; interest ranging from 3.3 percent to 3.8 percent; payable from specific ad valorem tax levy	\$ <u>180,000</u>
---	-------------------

	\$ <u>580,000</u>
Less: Unamortized Discount	(110,000)
	\$ <u>470,000</u>

HOSPITAL SERVICE DISTRICT NO. 1
Parish of St. Mary
Franklin, Louisiana

Notes to Financial Statements (Continued)

The annual requirements to amortize all debt outstanding as of September 30, 2003, including interest payments of \$1,475 for the certificates of indebtedness and \$42,189 for the general obligation bonds, are as follows:

Year Ending September 30	Certificates of Indebtedness	General Obligation Bonds	Total
2003	\$ 52,477	\$ 421,479	\$ 473,956
2004	-	420,718	420,718
	<u>\$ 52,477</u>	<u>\$ 842,197</u>	<u>\$ 894,682</u>

(8) Management Contract

In July of 1984, the Hospital entered into an agreement with Quorum Health Resources, LLC (Formerly HCA Management Company, Inc.) to manage the day-to-day business affairs of the hospital. Quorum provides the hospital with the services of an administrator and a controller. Management fees are adjusted annually based on the Consumer Price Index. These fees are paid monthly in addition to a reimbursement for compensation and fringe benefits paid to the personnel furnished by Quorum to the hospital. For the year ended September 30, 2003, management fees and reimbursements for compensation and fringe benefits were \$202,981 and \$215,997 respectively.

(9) Contingent Liabilities

Compensated Absences. The Hospital is contingently liable for compensated absences. Compensated absences are nonvesting and are not paid in the event of termination of employment. Accrued compensated absences as of September 30, 2003 was \$162,114.

Hill-Burton Act. U.S. Department of Health and Human Resources has made inquiries into the hospital's compliance with the Hill-Burton Act. The hospital has received notification that it has met its obligations under the Hill-Burton program.

Litigation. As September 30, 2003, the Hospital was a defendant in various lawsuits. The Hospital's legal counsel has reviewed the claims and lawsuits in order to evaluate the likelihood of an unfavorable outcome to the Hospital and to arrive at an estimate, if any, of the amount or range of potential loss to the Hospital. As a result of the review, the various claims and lawsuits have been categorized into "probable", "reasonably possible", or "remote", as defined by the Governmental Accounting Standards Board. It is the opinion of the Hospital after conferring with legal counsel, that the liability, if any, which might arise from these lawsuits would not have a material adverse effect on the Hospital's financial position.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of St. Mary
Franklin, Louisiana

Notes to Financial Statements (Continued)

(18) Compensation of Board Members

Members of the Board of Commissioners of Hospital Service District No. 1 serve without compensation for their services. Board members are

Marshall Chisley
Ann Luke
Dale Runkle
Roland Degryser
Gregg Paul
Clayton Caffery, Jr.
Alan Van Wender

(19) Prior Period Adjustment

The Hospital owns 100 percent of the outstanding stock of Franklin Imaging, Inc. and has advanced the corporation \$164,968. In previous years, the advance was not recorded. The corporation is inactive, has no significant assets and will be liquidated. Accordingly, the advance will not be repaid.

The adjustment increased fund balance by \$164,968.

REQUIRED BY GOVERNMENT AUDITING STANDARDS

KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

1100 South Capitol Street
Baton Rouge, Louisiana 70801
Phone (504) 384-2000
Fax (504) 384-2005
www.kcsllc.com

P.O. Box 3436
Metairie, LA 70001

Phone (504) 384-2000
Fax (504) 384-2005

MEMBER OF
INTERNATIONAL SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

MEMBER OF
INDEPENDENT PUBLIC ACCOUNTANTS
OF THE UNITED STATES OF AMERICA

MEMBER OF
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MEMBER OF
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
OF THE UNITED STATES OF AMERICA
MEMBER OF
INTERNATIONAL SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

MEMBER OF
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners
Hospital Service District No. 1
Parish of St. Mary, State of Louisiana
Franklin, Louisiana

We have audited the general purpose financial statements of the Hospital Service District No. 1, Parish of St. Mary, State of Louisiana, as of and for the year ended September 30, 2003, and have issued our report thereon dated November 8, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Hospital Service District No. 1's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Hospital Service District No. 1's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

1100 South Capitol Street
Baton Rouge, Louisiana 70801
Phone (504) 384-2000
Fax (504) 384-2005

1100 South Capitol Street
Baton Rouge, Louisiana 70801
Phone (504) 384-2000
Fax (504) 384-2005

1100 South Capitol Street
Baton Rouge, Louisiana 70801
Phone (504) 384-2000
Fax (504) 384-2005

1100 South Capitol Street
Baton Rouge, Louisiana 70801
Phone (504) 384-2000
Fax (504) 384-2005

1100 South Capitol Street
Baton Rouge, Louisiana 70801
Phone (504) 384-2000
Fax (504) 384-2005

1100 South Capitol Street
Baton Rouge, Louisiana 70801
Phone (504) 384-2000
Fax (504) 384-2005

1100 South Capitol Street
Baton Rouge, Louisiana 70801
Phone (504) 384-2000
Fax (504) 384-2005

This report is intended solely for the information and use of management, others within the organization, and Parish Government and is not intended to be used by anyone other than these specified parties.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
November 8, 2022

HOSPITAL SERVICE DISTRICT NO. 1

Parish of St. Mary

Summary Schedule of Findings and Questioned Costs
Year Ended September 30, 2002

Part I. Summary of Auditor's Results:

An unqualified opinion was issued on the financial statements.

No reportable conditions in internal control were disclosed by the audit of the financial statements.

The audit did not disclose any instances of noncompliance which are material to the financial statements.

A management letter was not issued.

Part II. Findings required to be reported in accordance with generally accepted Governmental Auditing Standards:

not applicable

Part III. Findings and questioned costs for federal awards required to be reported in accordance with Office of Management and Budget Circular A-133:

not applicable

HOSPITAL SERVICE DISTRICT NO. 1
Parish of St. Mary

Schedule of Prior Audit Findings
Year Ended September 30, 2003

Fiscal Year Finding Initially Occured	Description of Finding	Corrective Action Taken (Yes, No, Partially)	Planned Corrective Action/Partial Corrective Action Taken

There were no items previously reported.

ESSENTIAL SERVICE DISTRICT NO. 1
Public Utility Agency

Compliance Action Plan for Current Title Holdings
Year Ended September 30, 2015

Item No.	Description of Finding	Compliance Action Planned	Amount of Current Period's Payments	Anticipated Completion Date
Compliance	There are no items that are required to be reported.			
Internal Control	There are no items that are required to be reported.			
Measurement Control System	There are no items that are required to be reported.			